

**ORION COMMUNITY CABLE
COMMUNICATIONS COMMISSION
OAKLAND COUNTY, MICHIGAN
FINANCIAL STATEMENTS
DECEMBER 31, 2003**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Orion Community Cable Communications Com	County Oakland
Audit Date 12/31/03	Opinion Date 9/27/04	Date Accountant Report Submitted to State: 10/10/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

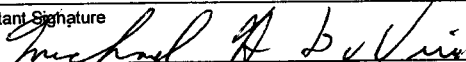
Certified Public Accountant (Firm Name) Michael H. DeVries, CPA			
Street Address 837 S. Lapeer Road	City Oxford	State MI	ZIP 48371
Accountant Signature 		Date 9-27-04	

TABLE OF CONTENTS

	<u>PAGE</u>
Auditor's Report.....	3
Financial Statements	
Combined Balance Sheet - Governmental Fund Type and Account Group.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Governmental Fund Type.....	5
Notes to Financial Statements.....	6 - 12



MICHAEL H. DeVRIES

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Orion
Community Cable Communications Commission

We have audited the accompanying general purpose financial statements of the Orion Community Cable Communications Commission, Oakland County, Michigan, as of and for the year ended December 31, 2003 as listed in the table of contents. These general purpose financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects the financial position of the Orion Community Cable Communications Commission, Oakland County, Michigan, as of December 31, 2003 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

Michael H. DeVries
Certified Public Accountant

Oxford, Michigan
September 27, 2004

MEMBER

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ORION COMMUNITY CABLE COMMUNICATIONS COMMISSION
COMBINED BALANCE SHEET - GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP
DECEMBER 31, 2003

	Governmental Fund <u>Type (Note 1C)</u> General Fund	Account Group (Note 1C) General Fixed Assets
<u>ASSETS</u>		
Cash in Bank	\$227,668	\$ - 0 -
Certificates of Deposit	580,815	- 0 -
Franchise Fees Receivable	76,880	- 0 -
Equipment (Notes 5 & 6)	- 0 -	319,640
Office Equipment (Notes 5 & 6)	<u>- 0 -</u>	<u>11,262</u>
<u>TOTAL ASSETS</u>	<u>\$885,363</u>	<u>\$330,902</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Accounts Payable	\$ 754	\$ - 0 -
Fund Balance:		
Investment in General Fixed Assets	- 0 -	330,902
Un-designated	<u>884,609</u>	<u>- 0 -</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$885,363</u>	<u>\$330,902</u>

See accompanying notes to financial statements.

ORION COMMUNITY CABLE COMMUNICATIONS COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General Fund</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUES</u>			
Franchise Fees	\$320,000	\$309,920	\$(10,080)
Interest Income	20,000	19,377	(623)
PEG Grant	- 0 -	25,000	25,000
Miscellaneous	- 0 -	482	482
<u>TOTAL REVENUES</u>	<u>340,000</u>	<u>354,779</u>	<u>14,779</u>
<u>EXPENDITURES</u>			
Education and Training	5,000	842	4,158
Meals and Travel Expense	11,700	1,997	9,703
Membership Fees	900	890	10
Administrative Fees	4,000	3,713	287
ONTV Public Access Management Fee	260,000	260,000	- 0 -
General Insurance	1,000	- 0 -	1,000
Professional Fees	8,000	7,008	992
Contracted Liaison Person	14,000	10,392	3,608
Capital Outlay	844,982	- 0 -	844,982
Supplies	200	110	90
Grants	5,000	- 0 -	5,000
<u>TOTAL EXPENDITURES</u>	<u>1,154,782</u>	<u>284,952</u>	<u>869,830</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>			
<u>OVER EXPENDITURES</u>	(814,782)	69,827	884,609
<u>FUND BALANCE - BEGINNING</u>	<u>814,782</u>	<u>814,782</u>	<u>- 0 -</u>
<u>FUND BALANCE - ENDING</u>	<u>\$ - 0 -</u>	<u>\$884,609</u>	<u>\$884,609</u>

See accompanying notes to financial statements.

ORION COMMUNITY CABLE COMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

(1) SUMMARY OF ACCOUNTING POLICIES

A summary of the Commission's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Combined Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance, of the Orion Community Cable Communications Commission, hereafter the Commission.

B. ORGANIZATION

The Commission adopted its bylaws in November of 1990 and was established by the Charter Township of Orion and the Village of Lake Orion (hereafter, municipalities) for the purpose of administering the cable communications franchise for these two governmental units. The Commission consists of nine members, four members appointed by the Orion Township Board, four members appointed by the Lake Orion Village Council and one member appointed by joint resolution. The Commission is charged primarily with monitoring the franchise agreement and the performance of franchisees under the existing ordinance, encouraging the use of access channels within the two communities, and supervising the interconnection of systems.

C. BASIS OF PRESENTATION

The accounts of the Commission are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Commission are recorded in separate funds and account groups, categorized as follows:

Governmental Fund

The General Fund is used to account for all financial resources except those provided for in another fund.

(1) SUMMARY OF ACCOUNTING POLICIES (Continued)

Account Group

The General Fixed Asset Account Group presents the fixed assets the Commission utilizes in its operations. Fixed assets used in the general operation of the Commission are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets.

D. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to revenues and expenditures that are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The governmental fund types (General Fund) use a financial resource measurement focus and are accounted for using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded under the modified accrual basis of accounting when the fund liability is incurred, if measurable. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The major sources of revenue are cable franchise fees and interest.

E. FIXED ASSETS

General fixed assets purchased are recorded as expenditures in the General Fund at the time of purchase. Such assets are capitalized in the General Fixed Assets Group of accounts. No depreciation is provided on General Fixed Assets.

F. BUDGET AND BUDGETARY ACCOUNTING

The following procedures are instituted by the Commission in establishing the budgetary data reflected in the financial statements:

1. Prior to the next fiscal year, the treasurer submits a proposed budget to the Commission.
2. The Commission makes any recommendations or changes.
3. A Public Hearing is held.
4. After the Public Hearing, the budget must be approved by a joint resolution of the Orion Township Board and the Lake Orion Village council. The budget will not be effective until approved by both governmental units.

(1) SUMMARY OF ACCOUNTING POLICIES (Continued)

5. No Commissioner or employee of the Commission may expend any funds of the Commission except as appropriated by the Commission in keeping with the budgetary policy as adopted by the Commission. Changes in the amount appropriated by the Commission require approval by the Commission. There were changes to the original approved budget noted in the minutes.
6. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

G. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

(2) CASH AND INVESTMENTS

The captions on the Combined Balance Sheet relating to cash, certificates of deposit, and investments are as follows:

Cash in Bank	\$227,668
Certificates of Deposit	<u>580,815</u>
	<u>\$808,483</u>

The above amounts are classified by GASB statement No. 3 in the following categories:

Summary of:

Specific Accounts:

Checking Account	\$227,668
Certificates of Deposit	<u>580,815</u>
	<u>\$808,483</u>

These funds are in three financial institutions located in Oakland County. All accounts are in the name of the Commission. They are recorded in the Commission's records at cost. Interest is recorded when earned.

STATUTORY AUTHORITY

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations;

(2) CASH AND INVESTMENTS (Continued)

bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Commission has designated three banks for the deposit of the Commission's funds. The Commission has adopted an investment policy in accordance with P.A. 196 of 1997. The Commission has funds invested in bank checking and certificates of deposit.

The Commission's deposits and investments are in accordance with statutory authority.

Michigan law (section 3, Act 40, P.A. 1932, as amended) prohibits security in the form of collateral, surety bond, or any other form for the deposit of public money.

We estimate that approximately 37.1% of the Commission's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We are unable to be specific due to the complexity of FDIC Regulation number 330.8. This regulation in summary provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 in every financial institution that is not a branch location that is a member of the FDIC in the following deposit accounts.

1. All demand, non-interest bearing accounts (checking) in the name of the authorized or statutory custodian (treasurer) of public funds.
2. All savings deposits which include regular passbook, daily interest savings and time certificates of deposit in the name of the governmental unit's custodian.
3. The demand and savings accounts as defined in items 1 and 2 above for those bank accounts, in the name of a specific fund, when all of the following criteria is applicable:
 - (a) The fund is created by a specific state statute
 - (b) The functions of the fund are specified by state statute
 - (c) Money is allocated by state statute for the exclusive use of that fund and statutory function.

(2) CASH AND INVESTMENTS (Continued)

General Fund:	Per <u>Institution</u>	Per <u>Books</u>	Insured <u>FDIC</u>	Not <u>Insured</u>
Oxford Bank	\$227,668	\$227,668	\$100,000	\$127,668
Charter One				
Bank	341,691	341,691	100,000	241,691
National City Bank	<u>239,124</u>	<u>239,124</u>	<u>100,000</u>	<u>139,124</u>
	<u>\$808,483</u>	<u>\$808,483</u>	<u>\$300,000</u>	<u>\$508,483</u>

In accordance with GASB Statement 3, Investments are classified into three categories of credit risk as follows:

Category 1: Insured or collateralized with securities held by the entity or its agents in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Un-collateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the name of the entity).

Investment Type:

	(1)	(2)	(3)
Risk - Categorized			
Cash Equivalents	\$100,000	\$127,668	\$ - 0 -
Certificates of Deposit	<u>200,000</u>	<u>380,815</u>	<u>- 0 -</u>
Total Risk - Categorized			
Investments	<u>\$300,000</u>	<u>\$508,483</u>	<u>\$ - 0 -</u>
	<u>Carrying</u>	<u>Market</u>	
	<u>Amount</u>	<u>Value</u>	
Non-risk - Categorized			
Municipal Investment			
Fund	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	

The nature of mutual funds, bond funds, and investment pools does not allow for risk categorization, which is in accordance with GASB Statement No.3.

(3) RELATED PARTY TRANSACTIONS

GASB Codification Sec. 2300.107 requires that governmental entities disclose related party transactions. FASB Statement No. 57 defines a related party as:

(3) RELATED PARTY TRANSACTIONS (Continued)

...principal owners of the enterprise; its management; members of the immediate family of principal owners of the enterprise and its management; and other parties with which the enterprises may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties may be prevented from fully pursuing its own separate interests. Another party is also related if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The Commission has not engaged in related party transactions.

(4) RISK MANAGEMENT

The Commission carries commercial insurance primarily for protection from personal property loss, theft, and personal injury. For the three previous years, commercial insurance claims have not exceeded the amount of coverage as provided for by the policy.

(5) GENERAL FIXED ASSETS

Fixed assets used in governmental fund type operations (General Fixed Assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds.

A General Fixed Assets Group of Accounts was initiated June 30, 1991. Because historical facts were unknown in several instances, an estimate was used for the asset basis where cost could not be determined. Although the total does not represent true costs, it is a fair representation of the general fixed assets owned by the Commission. All acquisitions subsequent to June 30, 1991 are being recorded at cost. No depreciation has been provided on the General Fixed Assets Group.

The account group is not "funds". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

(6) CHANGES IN GENERAL FIXED ASSETS

A summary of the changes in general fixed assets follows:

	Balance 01-01-03	Additions	Deductions	Balance 12-31-03
Equipment	\$319,640	\$ - 0 -	\$ - 0 -	\$319,640
Office Equipment	<u>11,262</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>11,262</u>
<u>INVESTMENTS IN</u>				
<u>GENERAL FIXED</u>				
<u>ASSETS</u>	<u>\$330,902</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$330,902</u>

(7) EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act" provides that a local unit shall not incur expenditures in excess of the amount appropriated (Section 18(1)). In the body of the financial statements, the Commission's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a line item basis. The approved budget of the Commission for this budgetary fund was adopted on the line item level.

For the year ended December 31, 2003 the Commission did not incur expenditures in this budgetary fund which were in excess of the amounts appropriated. The following is a comparison of the Commission's adopted budget as compared to actual expenditures:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Education and Training	\$ 5,000	\$ 842	\$ 4,158
Meals and Travel Expense	11,700	1,997	9,703
Membership Fees	900	890	10
Administrative Fees	4,000	3,713	287
ONTV Public Access			
Management Fee	260,000	260,000	- 0 -
General Insurance	1,000	- 0 -	1,000
Professional Fees	8,000	7,008	992
Contracted Liaison Person	14,000	10,392	3,608
Capital Outlay	844,982	- 0 -	844,982
Supplies	200	110	90
Grants	<u>5,000</u>	<u>- 0 -</u>	<u>5,000</u>
<u>TOTAL EXPENDITURES</u>	<u>\$1,154,782</u>	<u>\$284,952</u>	<u>\$869,830</u>

(8) ONTV MANAGEMENT AGREEMENT

The Commission signed a three year agreement with Orion Neighborhood Television Corporation (ONTV) (a Michigan nonprofit Corporation), in effect March 8, 2001 thru March 7, 2004. On February 12, 2004 this agreement was extended until February 28, 2007.

The 2003 amount paid to ONTV was \$260, 000. Payments were remitted quarterly based upon ONTV's budget. Per the agreement, ONTV assumes the normal daily operation of the public access channels.

(9) SUBSEQUENT EVENT

On February 12, 2004 the Commission signed a new ONTV management agreement. This agreement is in effect March 1, 2004 through February 28, 2007.



MICHAEL H. DeVRIES

CERTIFIED PUBLIC ACCOUNTANT

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Oxford, Michigan 48371

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Fax 248.628.6107

September 27, 2004

To the Board of Directors
Orion Community Cable Communications Commission
Oakland County, Michigan

In planning and performing our audit of the general purpose financial statements of the Orion Community Cable Communications Commission (hereafter the Commission) for the year ended December 31, 2003, the findings of which have been reported under separate cover, we would like to make you aware and to offer the following recommendation:

1. We would like to make the Commission aware that in the future new financial reporting requirements will be necessary as mandated by the Governmental Accounting Standards Board, Statement No. 34, "*Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments.*" Briefly, these new reporting procedures include (but are not limited to) preparing a management's discussion and analysis narrative report, depreciating the Commission's fixed assets as well as reporting budget information at the beginning and end of the year which will allow the readers of the financial statements to assess any budget changes which have taken place during the year. We anticipate that these changes will be required in the financial statements for fiscal years beginning after July 1, 2003. However, the standards encourage earlier implementation.

Except for the above item, we found the accounts and records of the Orion Community Cable Communications Commission to be in good condition. We would like to thank the administrative staff for the cooperation received throughout the course of our audit.

Sincerely,

Michael H. DeVries
Certified Public Accountant

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